

A fraternal beneficiary society operating under the lodge system and providing for member benefit payments may qualify for exemption under section 501(c)(8) of the Code regardless of whether the fraternal or the insurance features predominate, as long as both features are present; I.T. 1516 superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the position set forth in I.T. 1516, I-2 C.B. 180 (1922). It relates to whether the organization described below is exempt from Federal income tax under section 501(c)(8) of the Internal Revenue Code of 1954 as a fraternal beneficiary society.

Although this organization carries on fraternal activities, operates under the lodge system, and provides for the payment of life, sick, accident, and other benefits to its members and their dependents, the predominant activity of the organization is the maintenance of an insurance program that provides payments of life, sick, accident, and other benefits.

Section 501(c)(8) of the Code provides for the recognition of exemption of fraternal beneficiary societies, orders, or associations-

- A) Operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and
- B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Section 1.501(c)(8)-1(a) of the Income Tax Regulations provides that a fraternal beneficiary society is exempt from tax only if operated under the 'lodge system' or for the exclusive benefit of the members so operating. 'Operating under the lodge system' means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like. In order to be exempt under section 501(c)(8) it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits.

A fraternal beneficiary society, order, or association exempt under section 501(c)(8) is accordingly one that, in addition to being operated in furtherance of fraternal purposes, (1) is so operated under the lodge system or for the exclusive benefit of the members of a fraternity that is so operated under the lodge system, and (2) has an established system for the payment to its members or their dependents of life, sick, accident, or other benefits. There is no requirement that either

the fraternal features or the insurance features predominate so long as both features are present.

Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(8) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(8) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.

I.T. 1516 is hereby superseded since the position set forth therein is restated under current law in this Revenue Ruling.